



AREF FutureGen Educational Series 2022
The Fund Lifecycle Revisited
Event 3: Deployment of a Fund

Thursday 20th October 2022



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



FutureGen Welcome

Clare Grimes, Investment Associate at Octopus Real Estate
& Member of the FutureGen Committee



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



Introduction

Sukhvinder Chana
Senior Associate at Carey Olsen



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Agenda for today

- 09.00 Event start
- 09.00 FutureGen welcome - Clare Grimes, Octopus Real Estate
- 09.05 Welcome and introduction - Sukhvinder Chana, Carey Olsen
- 09.05 Deployment of a Fund

Presentation from
 - Sarah Cockburn, Head of Real Estate Solutions (UK), Schroders
 - Robin Hubbard, Head of Real Estate Capital Formation, Schroders Capital
- 09.45 Q&A
- 10.00 Close



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Today's speaker



Sarah Cockburn

Head of Real Estate Solutions (UK),
Schroders



Robin Hubbard

Head of Real Estate Capital Formation at
Schroders Capital



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

To ask questions & answer poll questions
Please log into:

Join at
slido.com
#1772 335



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



Sarah Cockburn

Head of Real Estate Solutions (UK), Schroders



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Poll Question

When creating a new fund product, the most important consideration is?

Join at
slido.com
#1772 335



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

What is a Real Estate Fund?

“A Fund is when **multiple clients** pool in a structure to invest in **multiple assets**”



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Launch and Deployment of a Real Estate Fund

Key stages to launching and deployment of a Real Estate Fund

1. Planning / Development Phase

- Strategy
- Investors
- Structure
- Advisors (Fund and Property)
- Approvals

2. Capital Raising

- Check documents completed and regulatory approvals obtained
- Soft marketing
- Investor presentations and pitch books
- PPM's and other fund documents complete
- Onboarding investors

3. Deployment and running your fund

- Investment Period
- Drawdowns and deployment
- Stock selection
- Debt
- Client reporting & Presentations
- LPACs / IAC's

The planning phase - first things first!

The Client / Target Investors

- Who are they likely to be?
- What type of investors?
- Do you have seed money or a cornerstone investor?
- What are their return requirements?
- Risk profile?
- Are there any deal breakers for this type of client?

The Strategy

- What is the USP?
- Are you creating a solution for a client or have you got a great idea you want to raise capital for?
- Who are your competitors?
- Other funds out there?



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

What do you need to consider?

1. Investors – who are they and do you have a cornerstone investor or seed capital?
2. Strategy, target return and fund terms
3. Advisors - appointments
4. Structure – open or closed ended?
5. Fund terms and fees - appropriate for the strategy and investors
6. Debt
7. Liquidity / Exit provisions
8. Regulatory approvals (and internal business approvals)



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

What do investors focus on?

- 1.Strategy
- 2.Returns
- 3.Team and track record – must be credible
4. ESG - essential
5. Fees
6. Manager and governance
7. Liquidity / Exit provisions



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Before launch you need:

1. Completed documents

- i. PPM
- ii. Pitch book / marketing materials
- iii. Fund documents
- iv. Property level appointments
- v. Subscription agreements

2. Tax, Legal and other advice all complete

3. Any Regulatory Approvals



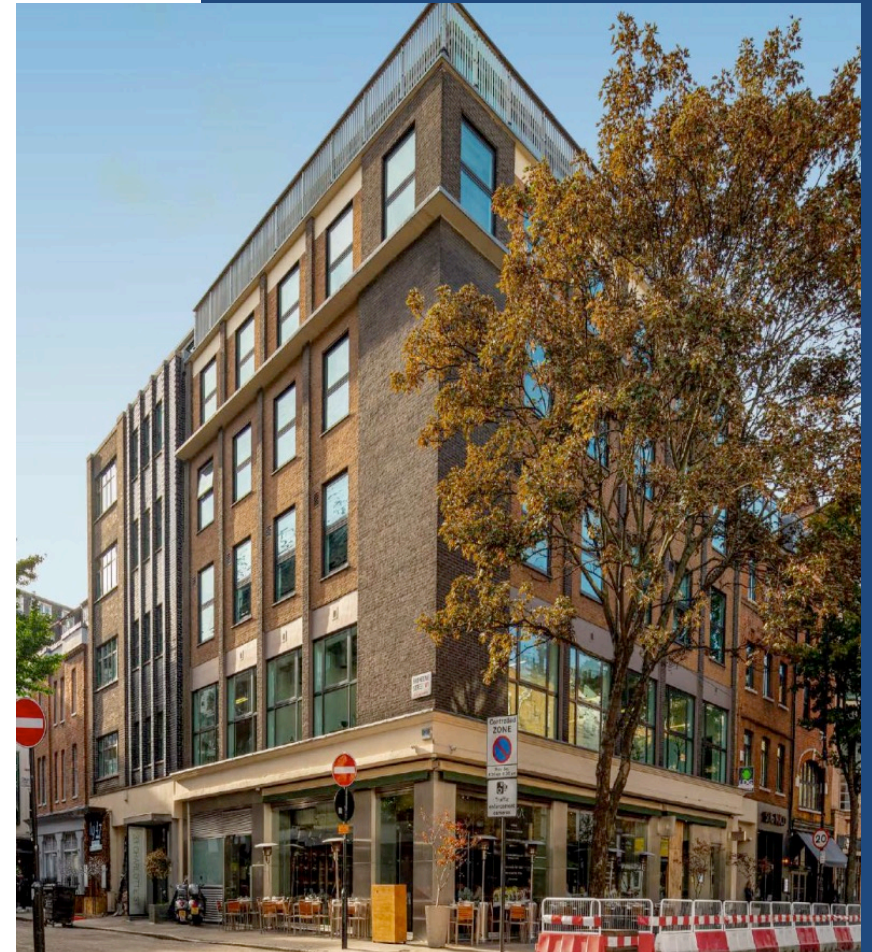
Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Case Study: Social Supported Housing Fund (SoHo)

- **Fund:** 5 year closed end fund English Limited Partnership
- **STRATEGY:** Development strategy – focussed on social supported housing for adults with life long care needs . Leases backed by the government.
- **RETURN:** Target 10% + over the Fund life
- **MANAGER:** Schrodgers are Fund Manager partnering with Civitas as Property Adviser
- **TRACK RECORD:** Highly skilled team with extensive experience investing in social supported housing
- **Fees:** Base fee with a Performance fee
- **ESG:** Strong Social Impact credentials. ESG in line with Schrodgers Sustainability Policy and Net Zero Commitment
- **Gearing:** up to 40%
- **Structure:** ELP – Closed-end Fund established 2020 with five year life with two, one year extensions



Key Terms

Domicile and Legal Structure	Closed-end English Limited Partnership, with an Exempt Unauthorised Unit Trust (EUUT) feeder
Fund Size	£200 million equity
Investment Strategy	Value add
Investment Guidelines	Maximum 5% of GAV in a single asset
	Maximum 20% of GAV in a single local authority area
	Maximum 10% exposure to single tenant
Leverage	Maximum leverage of 40% LTV
Target Returns	Targeting a geared IRR of 10% per annum net of all fees over the Fund life
Term	5 year fund life from first close with two one year extensions if required
Investment Period	30 months from first close
Manager	Schroders Capital
Property Adviser	Civitas
Fees	Base fee of 1.25% pa of NAV. Performance fee (carry) of 20% over 8% hurdle
Reporting	Quarterly investment report. Annual Report and Accounts
Valuation	Quarterly independent valuation in accordance with RICS standards



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



Q&A

Moderated by Tom Pinnell, Langham Hall
& Chair of FutureGen Committee



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



Robin Hubbard

Head of Real Estate Capital Formation at Schroders Capital



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

What to Consider when Marketing a Fund

Capital Raising & Deployment - Key considerations

- Market testing / soft marketing
- Fund Documents / Pitch Books / PPM's
- First close, Second close etc
- Equalisation
- Raising capital and Drawing Client Money
- Fund model – monitoring returns
- Subscriptions
- Deployment

Investor Negotiations - key points

- Fees (management / performance)
- “Waterfall”/returns provisions
- Set up and ongoing costs and responsibilities
- Key person/key advisor
- Access to information/reporting
- Investor “involvement”
- Divestment strategy/process
- Co-investment opportunities
- Corporate governance

Running a Fund

Up and Running! - Key considerations

Once the Fund is launched, you need to focus on the following:

1. Investment Period – building up your assets
2. Client Communication / Quarterly Investor reporting
3. Any changes require an EGM?
4. LPAC/IAC
5. Debt management



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN

Deploying Capital - other considerations

- Ensure the target assets fit within the investment strategy/objective of the fund
- Payment structure
 - Cash, management participation, earn-outs, options, deferred payments
- Funding flow
 - Equity/debt split
- Anticipate the exit (if closed-ended), Liquidity management (if open ended)
 - Individual asset sales, portfolio sale, auction, IPO



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



Q&A

Moderated by Tom Pinnell, Langham Hall
& Chair of FutureGen Committee



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN



Thank you for attending



Schroders

slido.com
#1772 335

Proudly sponsored by:
CAREY OLSEN